

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

355 ST. JAMES STREET WEST
MONTREAL
CANADA

Montreal, November 6th, 1935

To the Shareholders:

Your Directors present herewith their Annual Report, which, owing to the change of the fiscal year of the Company in accordance with the Plan of Reorganization, sets forth the Balance Sheet as at July 31st, 1935, and the Operating Statement for the period of nineteen months to July 31st, 1935.

The capital structure of your Company has been changed in accordance with Supplementary Letters Patent confirming the Compromise agreed to by the Preferred and Common Shareholders.

The Surplus Account of the Company has been analyzed for the purpose of determining how much was capital surplus and how much earned surplus. The result of the analysis is now reflected in the accompanying Balance Sheet. The capital surplus represents the accumulated profits less losses from sales of securities, the premium on the redemption of the original issue of Preferred Stock and discount on Debentures cancelled. The Deficit Account (being a debit balance on earned surplus account) represents the accumulated losses less profits from operations.

Debentures to the principal amount of \$265,200 purchased and held by the Company for cancellation have been cancelled since the date of the Balance Sheet.

Call Loans during the period have been reduced by \$311,933., and at July 31st, 1935, stood at \$531,275.

The expenses consequent upon Reorganization—amounting to \$17,738.01—will, of course, not recur.

The Directors, Voting Trustees and the members of the Debenture Holders Committee received no remuneration during the period under review.

The books and accounts of your Company have been audited by Messrs. P. S. Ross & Sons, Chartered Accountants, whose certificate is attached.

Respectfully submitted on behalf of the Board,

J. ALDERIC RAYMOND,
President.

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CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

Statement of Profit and Loss Account *For the period from 1st January, 1934, to 31st July, 1935*

REVENUE			
Revenue from Investments.....			\$195,987.48
Miscellaneous Interest and Exchange.....			279.09
			<u>\$196,266.57</u>
EXPENDITURE			
General Expenses.....	\$	1,231.81	
Insurance.....		625.58	
Legal Expenses.....		1,001.22	
Salaries—Clerical and Secretarial.....		1,520.00	
Taxes.....		744.20	
Trustee's, Registrar's, Transfer Agent's and Custodian's Fees.....		3,866.72	
	\$	8,989.53	
INTEREST:			
On Call Loans.....	\$	67,380.25	
On Debentures (unpaid and cumulated under Supplementary Trust Agreement and after deducting interest on debentures purchased and held for cancellation).....		157,675.00	
			225,055.25
Reorganization Expenses:			
Legal Expenses.....	\$	8,993.83	
Printing, Advertising, Secretarial, etc.....		6,369.18	
Trustee for Debenture Holders Fee.....		2,375.00	
		17,738.01	251,782.79
Loss from Operations for the nineteen months ended 31st July 1935.....			<u>\$ 55,516.22</u>

Statement of Deficit Account *For the period from 1st January, 1934, to 31st July, 1935*

Balance at 31st December, 1933—Debit.....	\$	57,066.87
ADD: Loss from Operations for the nineteen months ended 31st July, 1935.....		55,516.22
Deficit at 31st July, 1935.....		<u>\$112,583.09</u>

Statement of Capital Surplus Account *For the period from 1st January, 1934, to 31st July, 1935*

Balance at 31st December, 1933—Credit.....	\$172,471.03
DEDUCT: Loss resulting from sales of securities during the nineteen months ended 31st July, 1935.....	69,062.83
	<u>\$103,408.20</u>
ADD: Discount on Debentures purchased and held for cancellation.....	176,413.40
Balance at 31st July, 1935—Credit.....	<u>\$279,821.60</u>

Auditors' Certificate

CANADIAN POWER & PAPER INVESTMENTS, LIMITED,
Montreal.

We have audited the accounts of Canadian Power and Paper Investments, Limited, for the nineteen months ended 31st July 1935, and have obtained all the information and explanations we have required. We certify that, in our opinion, the attached Balance Sheet is drawn up so as to set forth a true and correct view of the financial position of the Company at 31st July, 1935, and that the Profit and Loss and Surplus Accounts show the results from operations for the nineteen months ended the same date, according to the best of our information, the explanations given to us and as shown by the books of the Company.

(Signed) P. S. Ross & Sons,
Chartered Accountants.

MONTREAL, QUE., 17th October, 1935.

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

Balance Sheet

as at 31st July, 1935

ASSETS

Cash in Bank		\$ 5,850.47
Investments, at cost:		
Bonds	\$ 314,194.39	
Preferred Stocks	2,277,647.48	
Common Stocks	3,953,199.01	
		<u>6,545,040.88</u>
(The aggregate value of these investments based on available market quotations or, in the absence thereof, estimated fair values at 31st July, 1935, was \$1,760,603.50.)		
Accrued Interest on Investments		4,947.88
Prepaid Taxes, Insurance, etc.		582.50
Deficit		<u>112,583.09</u>
		<u>\$6,669,004.82</u>

LIABILITIES

Call Loans		\$ 531,275.00
Securities having an aggregate value of \$913,832.50, based on available market quotations or, in the absence thereof, estimated fair values at 31st July, 1935, have been hypothecated as collateral to these loans.		
Accounts Payable		6,258.22
Interest on outstanding Debentures from 1st February 1933 to 31st July, 1935 (payable in Canadian or U.S.A. dollars or sterling)		266,850.00
5% Thirty-Year Debentures, Series "A", due 1st February, 1958:		
Outstanding 31st December, 1933	\$2,400,000.00	
Deduct: Purchased and held by Company for cancellation ...	<u>265,200.00</u>	
Outstanding 31st July, 1935		2,134,800.00
Cumulative Preferred Shares:		
(Redeemable at \$52.50 a share)		
Authorized and Issued—50,000 Shares of No Par Value		2,500,000.00
(of which 16,116 shares were in hands of Transfer Agent for distribution on a share for share basis to holders of 5% Cumulative Convertible Preferred Shares upon surrender thereof).		
Common Stock:		
Authorized and Issued—94,000 Shares of No Par Value		950,000.00
(of which 5,521 2/50 shares were outstanding in excess of present requirements for distribution under terms of Supplementary Letters Patent dated 6th September, 1934).		
Capital Surplus		<u>279,821.60</u>
		<u>\$6,669,004.82</u>

Approved on behalf of the Board:

J. ALDERIC RAYMOND	} Directors.
EDWARD R. BREMNER	
COLIN W. G. GIBSON	

CANADIAN POWER AND PAPER
INVESTMENTS, LIMITED

Annual Report
as at 31st July, 1935

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Head Office:
355 ST. JAMES STREET WEST
MONTREAL
CANADA